SENATE BUSINESS & LABOR
Exhibit No. 6
Date 4-12-23
Bill No. HB889

Handout for Senate Business, Labor, & Economic Affairs Committee

Lot Rent increase since Havenpark Capital purchased the 7 MT MHC's 3 years ago

We own our homes but lease the land our homes sit on. Water, sewer and trash has traditionally been part of the lot rent but Havenpark's business model cuts out all amenities and charges them back as new fees for utilities, pets etc. For comparison purposes to pre-Havenpark rates, I am using a conservative 12 month average of $50/mo. for these "new fees". So NEW resident lot rent plus $50 is our actual lot rent each month.

<u>The Highwoods</u> 258 lots (Great Falls)

new residents. $674.....before HP $283..... increase $391 ...**138%** increase each month

<u>Countryside Village</u> 226 lots (Great Falls)

new residents. $645..... before HP $401..... increase $244......**61%** increase each month

<u>Golden Meadows</u> & <u>Willowbend</u> 544 lots (Billings)

new residents. $700.......before HP $283 increase $417.........**147%** increase each month

<u>Meadowlark</u> 218 lots (Billings)

new residents. $550.......before HP $325..... increase $225.......**69%** increase each month

<u>Cherry Creek</u> 192 lots (Billings)

new residents. $645..... before HP $410..... increase $235........**57%** increase each month

<u>Meadow Manor</u> 240 lots (Kalispell)

new residents. $845..... before HP $380..... increase $465........**122%** increase each month

CONCLUSION: In the first 20 years I have lived in the Highwoods my lot rent was increased a <u>total</u> of $117 dollars or about 3-4% a year. In less than 3 years Havenpark Capital has increased our lot rent $391 or 138%. Again, for the dirt my home sits on. Havenpark calls it "market rates" but that is just another deception.

Why Manufactured Homeowner Residents are Seeking Legislative Relief

Havenpark Capital, a private equity investment firm, has recently purchased 7 manufactured home parks in Montana. Havenpark executives are the same group who paid a $47 million settlement for deception, bribery, and operating a pyramid scheme. (source DesMoines Register 5/5/2019)

Havenpark has rebranded themselves as "the saviors of affordable housing" and that's their new deception! With their purchases of the manufactured home parks in Montana, Havenpark Capital is affecting the lives of over 1,800 Montana homeowners who lease lots in manufactured home parks. They are making our once affordable homes unaffordable with drastic lot rent increases. On average, 8 in 10 residents are senior citizens. Retired, fixed, single income folks. 4 in 10 are disabled and young families of more modest means. We just are not going to be able to absorb these big increases.

Havenpark tells its lenders that its average rent increase is $26 and that it is spending millions on improvements. The facts tell a different story. (see the enclosure on actual increases) Havenpark is abusing the power they have over us that we have absolutely no power to fight against. The land our homes sit on will soon be 50% of the income of many of us and all amenities have been stripped away. The upkeep and maintenance we pay for each month has been minimized to maximize their profits.

Please support legislation protecting mobile home parks residents from unscrupulous, predatory out of state investment firms. We need our MT lawmakers to prevent these "bad actors" from harming our citizens. In over 38 states that have manufactured homeowners protection laws, these things are illegal:

---Unjustified rent increases!

---Add-on fees are not allowed!

---No cause evictions are not allowed!

---Harassment and retaliation is not allowed!

The following are direct quotes from Havenpark Capital to its investors

--"We create value through aggressive optimization programs and lean property management systems rather than trying to time the market. We only acquire properties that generate a significant target cash flow from day one"

--"Tenant turnover is also minimal since it is difficult and very expensive ($10,000-25,000+) for tenants to move their homes. As a result, operating cash flow is among the highest of any real estate class."

--"We provide our investors the high-yield returns of manufactured home communities (MHC) without the inconvenience of directly owning and operating the property."

Manufactured housing communities are the largest source of unsubsidized, affordable home ownership but we cannot win against private equity firms without the help of protective legislation. Help level the playing field between park owners and homeowners.

Cindy Newman, The Highwoods, Great Falls, MT
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Subject: HB 889 Revise the Residential Mobile Home Lot Rental Act

To: Members of the Senate Business, Labor, & Economics Affairs Committee

This handout is in reference to manufactured homeowners affordable housing bill HB 889. I have been advocating for the over 1,800 manufactured homeowners who are fighting for policy reforms that will help us to stay in our once affordable homes. We are in dire straits at the hands of ~~greedy~~, profit minded, corporate investors like Havenpark Capital who have bought 7 MHC in Montana **so far**.

Based on experiences in Montana and other states designated as underserved markets, those without adequate site lease protections from FHFA, state or local government making Montana MHC a prime target. There are two critical approaches that need to be implemented to protect residents and save manufactured home communities.

First we need to protect against the rent gouging, harassing rules and eviction threats, and poor community maintenance for those who already are suffering under investor community owners.

The second is to ensure this cancerous business model does not spread further. To do this we need homeowner protections to stop the influx of predatory investors. Last session a step forward was taken when a bill was passed to provide residents an opportunity to purchase communities before they are sold to investors. Thus, protecting this critical affordable housing sector and ensuring residents can stay in their homes.

Please consider that we homeowners are in a unique position. We own our homes, pay all the same costs, property taxes, homeowners insurance, maintenance and upkeep as a site built home. We have gone from an environment where the landowner or manager took care of things as they needed fixing to to where out of state people who are looking at cost-benefit analysis to squeeze every penny to the lowest. We are living with fear and uncertainty and HB 889, would offer a little peace of mind for residents who lease the land their homes sit on. I strongly urge you to vote yes to HB 889. Thank you.

Respectfully,

Cindy Newman

4182 Highwood Dr.,

Great Falls, MT

This is a letter to FHFA by MHAction's Liz Voigt and Americans for Financial Reform. Havenpark received Fannie Mae's incentive pricing to buy Montana's 7 MHC.'s. This letter defines violations of those terms covering resident Lease/Pad Protections. Protections Fannie Mae found we deserved for peace of mind and a secure future. Protections we are not currently getting from our State Legislature or FHFA.

Marcea Barringer, Senior Policy Analyst,

Federal Housing Finance Agency 400 Seventh Street, S.W. Washington D.C. 20219

RE: Manufactured Housing Action (MHAction) and Americans for Financial Reform Education Fund (AFREF)'s Comments on 2022-24 Duty to Serve Plans

Dear Ms. Barringer,

MHAction and AFREF jointly submit these comments in response to the Federal Housing Finance Agency (FHFA)'s Request for Input on Fannie Mae and Freddie Mac ("the Enterprises")'s 2022-24 Duty to Serve Underserved Markets Plans. Our comments will be focused specifically on the manufactured housing underserved market and the residents living in manufactured home communities

.<u>Manufactured Home Community Multi-Family Financing</u>

The 2022-24 Duty to Serve plans must be assessed in the context of the full scope of Fannie Mae and Freddie Mac's multi-family financing for manufactured home community purchases. This financing has increased dramatically in the last year.1 Fannie and Freddie continue to provide billions of dollars in low-cost loans to investor landlords, many of which are eroding affordability and livability. The business model of these investors is not preservation, but extraction and displacement. Financing this model is harming residents, pushing families and seniors to homelessness; it is eroding affordability in the manufactured home sector; and it is directly undermining the Duty to Serve goals.

<u>Tenant Site Lease Protections</u> (FN_MH_CommPad_1, FR_MH_Comm Pad_A)

FHFA acknowledged the need for tenant protections against unscrupulous owner practices when it adopted the Tenant Site Lease Protections. This framework of tenant protections built into Fannie and Freddie financing was an important step forward. And both Duty to Serve plans make clear that the products are working in that sense that borrowers are opting into the incentive program and signing up for the Tenant Site Lease Protections.

However, there are several critical weaknesses in the Tenant Site Lease Protection program and we call on FHFA and the Enterprises to address them. First, the protections are not stopping rent gouging and unjust evictions. While the Enterprises and FHFA have declared that the "Tenant site lease protections preserve the affordability and stability of MHCs across the country and are an important means to safeguard tenants from predatory practices," (Fannie Mae plan, 25), the experience of residents indicate that pad protections as they currently stand are vastly inadequate in serving this goal. For example, we understand that Havenpark Capital has agreed to the Tenant Site Lease Protections and received incentive pricing. Yet, as the stories above show, residents in Havenpark communities have experienced significant, unjustified rent and fee increases, pushing residents to homelessness and destabilizing communities.

The protections need to be strengthened to preserve manufactured home communities and ensure that Fannie and Freddie financing is not fueling displacement of vulnerable residents. They should include rent justification protections tied to consumer price index to stop confiscatory rent and fee increases; good cause eviction protections to stop retaliatory and unjust evictions; and opportunity to purchase measures to give residents a chance to purchase their community or partner with a nonprofit or government entity to purchase the community when it is for sale. FHFA should immediately undertake an assessment of the effectiveness of the current protections in preserving affordability and stability of communities and develop a plan for closing loopholes and improving the protections. While this assessment and plan development is underway, financing for manufactured home community purchases for corporate investors should be paused to prevent unaffordable increases and further displacement during this period.

Second, even with sufficient protections to preserve affordability, they are only as strong as their implementation. All community owners who receive Enterprise-backed financing should be required to enact pad lease protections for all manufactured housing residents living in their communities. Further, Fannie and Freddie must have robust systems for reviewing and enforcing compliance with the Tenant Site Lease Protections. There are currently blatant violations of the pad protections with apparently no consequences because the Enterprises do not have a system in place to keep owners accountable and in compliance with the required resident protections. Again, using the experience of Havenpark Capital communities as an example, residents in

Havenpark-owned communities in Michigan and Montana have not received leases years after Havenpark bought their communities. They do not have protection of the one-year-term required by the Tenant Site Lease Protections. Resident stories also suggest that they have not been provided an adequate opportunity to cure non-payment of rent before eviction. FHFA oversight is essential for the pad protections to protect residents and neighborhood stability as intended.

In addition to a system at the Enterprises for review of compliance and consequences for noncompliance, residents should know when they are covered by the Tenant Site Lease Protections and have an opportunity to submit complaints regarding violations. The Enterprises should require landlords and park owners receiving financing to notify their tenants that the Tenant Site Lease Protections apply to them. As FHFA did with the database of communities and buildings financed through the Enterprises, either FHFA or the Enterprises should create a mechanism for residents to look up their community and determine if the community owner has opted into the Tenant Site Lease Protections. Further, such a public platform should provide residents with a complaint system to report non-compliance.

Conclusion

We urge FHFA and the Enterprises to make improvements to the 2022-24 Duty to Serve plans to better serve the very-low-, low- and moderate-income families living in manufactured homes that Congress directed the Enterprises to serve in their consideration of underserved markets. Thank you for the opportunity to provide input.

If you have any questions or need additional information, please contact ~~Liz Voigt~~, MHAction at evoigt@mhaction.org or Linda Jun, Americans for Financial Reform Education Fund at linda@ourfinancialsecurity.org.

Sincerely,

MHAction

Americans for Financial Reform Education Fund